

## Message Text

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ACTION ARA-06

INFO OCT-01 ISO-00 SS-14 INR-05 PRS-01 SAB-01 H-01 EB-03

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R 111735Z MAR 76

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 7018

C O N F I D E N T I A L PANAMA 1745

STADIS////////////////////////////////////

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, PN, PQ, US

SUBJECT: HIGHLIGHTS OF 420TH PRC MEETING, MARCH 10, 1976

### 1. GOVERNOR'S WASHINGTON TRIP:

A. GOVERNOR REPORTED THAT HE FOUND GREATER SYMPATHY FOR PANCANAL'S FINANCIAL DILEMMA IN BOTH HOUSE AND SENATE APPROPRIATIONS HEARINGS. COMMITTEES APPEARED DESIROUS TO FIND ALTERNATIVE WAY OF RESOLVING PROBLEM WITHOUT REDUCING EMPLOYEE BENEFITS OR INCREASING SHIPPERS' COSTS BY RAISING TOLLS. POSSIBLE ALTERNATIVES INCLUDE DEFERRING OR WAIVING INTEREST PANCANAL MUST PAY OR EVEN THROUGH DIRECT APPROPRIATIONS. HOWEVER GOVERNOR SAID OPINION OF CONGRESS AS A WHOLE REMAINS UNKNOWN.

B. CONGRESSIONAL CONTACTS OUTSIDE OF HEARINGS REVEALED SOME RENEWED INTEREST IN THIRD LOCKS PROJECT. THERE IS FEELING IN SOME QUARTERS THAT MAMMOTH PUBLIC WORKS PROJECT OF THIS TYPE WOULD REMOVE PRESSURES FOR NEW CANAL TREATY BUT GOVERNOR AGREED THAT THIS WAS UNLIKELY.

C. PANCANAL BOARD OF DIRECTORS REVIEWED FINANCIAL SITUATION AND APPEARS EAGER TO PROCEED WITH TOLLS INCREASE  
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UNLESS CONGRESS PROVIDES SOME FORM OF ALTERNATIVE RELIEF.

HOWEVER, IN ORDER JUSTIFY EVENTUAL TOLLS INCREASE, BOARD IS CONTRACTING WITH ERA, WEST COAST ENGINEERING FIRM, TO CONDUCT INDEPENDENT TRAFFIC ANALYSIS STUDY AS WELL AS NEW SENSITIVITY STUDY WHICH WOULD ASSESS THE POSSIBLE DIVERSION OF TRAFFIC AS A RESULT OF TOLLS INCREASE. BOARD STILL AWAITING PRESIDENTIAL DECISION ON NEW ADMEASUREMENT RULES WHICH COULD INCREASE INCOME BY ABOUT \$12 MILLION. THIS IS ANOTHER REASON FOR NOT PROPOSING TOLLS INCREASE AT THIS TIME.

2. PANCANAL LABOR SITUATION: GOVERNOR REPORTED ON CANAL ZONE UNION LEADERS' MEETING WITH ARMY SECRETARY HOFFMAN AND MR. VEYSEY. HE SPECULATED THAT NEITHER UNION LEADERSHIP NOR RANK AND FILE WERE TOTALLY SATISFIED WITH ARMY ANNOUNCEMENT THAT CONSULTATIONS WITH UNIONS WOULD CONTINUE. HE SAID UNION LEADERS HAVE FOUND CONSIDERABLE SYMPATHY AMONG CONGRESSMEN, SOME OF WHOM CONSIDERED PROPOSED MEASURES AS HARSH. LABOR RALLY IS SCHEDULED FOR MARCH 12 BUT UNION LEADERS ARE TRYING TO POSTPONE. HOWEVER, CERTAIN ACTIVISTS MAY FORCE RALLY AND GOVERNOR CONSIDERS THERE IS STILL EVEN CHANCE THAT SOME JOB ACTION WILL ENSUE. HIS CONCERN IS THAT AT WORST SUCH ACTION WILL DISRUPT SHIPPING AND AT BEST RESULT IN DESTRUCTION OF EMPLOYEE MORALE, THEREBY HAMPERING STABILITY AND EFFICIENCY OF FUTURE CANAL OPERATIONS.

3. JURISDICTIONAL VIOLATIONS: GOVERNOR REPORTED WASHINGTON QUERY ON MARCH 6 INCIDENT INVOLVING CANAL ZONE POLICE DETENTION OF PANAMANIAN ACCUSED OF PAINTING AUTOMOBILES ON CANAL ZONE BORDER. THERE WAS MOMENTARY CONFRONTATION WITH GN WHICH SEEMED DETERMINED NOT TO ALLOW HIS REMOVAL. RANKING OFFICERS WERE SUMMONED AND INCIDENT ATTRACTED LARGE CROWD. IT ENDED IN RELEASE OF PANAMANIAN SUSPECT. GOVERNOR MENTIONED INCIDENT PRIMARILY TO ILLUSTRATE HOW FAST WASHINGTON IS INFORMED OF ALLEGED JURISDICTIONAL VIOLATIONS, IN THIS CASE EVEN BEFORE MATTER WAS KNOWN TO GOVERNOR.

4. SOUTHCOM REDUCTION IN FORCE: THE CINC CONFIRMED THAT ARMY AND AIR FORCE ORGANIZATIONS IN ZONE WILL BE IMPLEMENTING RIF BETWEEN NOW AND END OF FY 76. HE SAID SOUTHCOM AND

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SERVICES HAVE TRIED TO BLUNT THE EFFECT OF RIF BUT NUMBERS ARE SIGNIFICANT AND MAJORITY ARE NON-US WORKERS. HE ASKED AMBASSADOR TO NOTIFY GOP IN ACCORDANCE WITH STANDING PROCEDURES AND AMBASSADOR INDICATED THIS WAS BEING DONE. JORDEN

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## Message Attributes

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